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ABSTRACT

The purpose of this manual is to provide information regarding school finance reform in the state of California to the legislature, governor, education department, teachers, and other interest groups. Chapter 1 briefly describes disparities in expenditures for education among California school districts, first using a sample of school districts and then describing the state as a whole. Chapter 2 gives a basic explanation of California's education finance plan, which is designed to reduce these disparities. Also discussed are the major features of California's plan enacted in Senate Bill 90 and Senate Bill 1641. This chapter also shows how California's finance plan works, including how to determine the amount of state aid a district will receive for general purposes, how a district's expenditures are regulated, and how areawide aid provisions operate. Five appendices discuss the following: definitions of school attendance, increases in the foundation amount per pupil, state aid for teachers' retirement, adjustments to the revenue limit, and the adult foundation program. (Author/LD)

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MONEY AND EDUCATION: A GUIDE TO CALIFORNIA SCHOOL FINANCE

by

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Prepared for

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INTRODUCTION

California is the scene of the nation's leading drama in school finance reform. Its judiciary has received rave notices for an upbeat opening, Serrano v. Priest, with its inspirational message: "the equality of a child's education shall not depend on the wealth of his parents or neighbors." As the action has shifted to the legislature, and Senate Bill 90 took center stage, critics became somewhat less enthusiastic. Most found something to suit their fancy: revenue limits for those concerned about rising school costs; increased state aid for low wealth districts; categorical aids for the disadvantaged and the cities. Other reviewers, however, found much to criticize: disparities among districts in educational spending continue, with many property poor districts still spending less than more wealthy districts; the legislation itself has become almost hopelessly complex; and the litigation seems to stretch on indefinitely.

Although at present the reviews are still very much in doubt, the central conflicts of the drama have not been resolved. And until they are, the quality of California's system of school finance cannot be fully judged. Will low wealth districts continue to catch up with their more fortunate neighbors in spending levels? Will urban districts, with their varied financial situations and minority populations, be appropriately funded? Will high tax-effort districts be enabled to maintain superior educational programs? Will the state assume increased responsibility for educational spending?

When the final curtain comes down, the verdict on whether school finance reform in California is a hit or a flop will turn largely on how well the actors play their parts: the courts, the legislature, the governor, the education department, teachers and other interest groups. Partly this will be determined by how well they know their lines: the technicalities of school finance in California and alternatives available from other states. Probably more important, however, will be whether the actors can understand and communicate the underlying values and purposes of the drama. If effective agreement can be reached on the goals of reform and on effective provisions for its implementation, school finance reform in California can be the nationwide hit of this season and of many seasons to come. This manual is meant to help the players succeed in their challenging roles.

Chapter I of this manual briefly describes disparities among California school districts, first using a sample of school districts and then describing the state as a whole. Chapter II gives a basic explanation of California's education finance plan which is designed to reduce disparities in expenditures for pupils' education. In this chapter, we describe the major features of California's plan enacted in Senate Bill 90 and Senate Bill 1641. This chapter shows you how California's finance plan works, including: how to determine the amount of state aid a district will receive for general purposes, how a district's expenditures are regulated and how areawide aid provisions operate.

CHAPTER I

DESCRIBING DISPARITIES IN EDUCATION

Since the early decades of this century, one important purpose of most state school finance laws has been to achieve greater equity in the funding of educational services. Although equity is a broad and vague term in school finance, its meaning has frequently been reduced to measurable differences of disparities among the districts of a state. A glance at the districts within any state reveals a variety of such differences, e.g., disparities in the amount of money spent for each pupil; in the tax effort required to raise money for education; in the type of school program districts offer and in the achievement of students in different school districts. A state education finance plan may be designed to address one or some combination of these or other disparities. The goal of the plan may be to reduce the disparity. That is, the plan may attempt to "equalize" per pupil expenditures between districts, "equalize" the revenue raised by districts, "equalize" the program offerings, or "equalize" the achievement levels.

The manner in which equalization is defined and measured, and the method used to determine if "equalization" is achieved are important considerations in evaluating the impact of a state school finance plan. A plan may go a long way in alleviating the problems of one type of disparity without affecting other types of disparities, or, in fact, worsening other disparities. For example, a plan may equalize per pupil expenditures among school districts, but in the process increase

the disparities among districts in the tax rate they must apply. Similarly, what is "equalizing" under one definition, measurement, or method of analysis may not be at all "equalizing" under another set of criteria. In other words, there are trade-offs to be made, and in evaluating the impact of a state finance plan, it is important to investigate its implication under different concepts or measures of equity.

Basically, a school finance plan is a measurable representation of a value judgment concerning what is fair in the raising and distributing of resources for education. In order to study the school finance plan of a state it is useful to identify the disparities that exist among districts in wealth, expenditures and effort, and to determine the effect of such disparities on the goals of equalization. Using some recent figures on California's education system we will demonstrate how to identify and evaluate disparities in education.

Disparities in Wealth

District "wealth" is a basic part of any state finance plan since it is used to determine a district's ability to support education. Although in theory "wealth" can be defined in many ways, most states, like California, define "wealth" in terms of the amount of property value backing each student in a district. In Table I we use a small number of unified districts to demonstrate disparities in wealth. The sample includes large central city, small city, suburban, and rural districts. Differences among the districts in their per pupil property values are obvious: The poorest district in the sample, Parlier, has a valuation of $5,746 per pupil while the richest district, San Francisco, has a valuation of $38,845 per pupil.

TABLE I

PROPERTY VALUE
(Sample Districts)

District	ADA	Property Value per ADA
San Francisco	70,607	$ 38,845
Calistoga	596	36,794
Palo Alto	13,404	31,485
Calaveras	1,758	30,031
Gustine	1,077	27,629
Long Beach	59,786	23,336
Oakland	58,070	19,193
Palos Verdes	18,781	17,511
San Diego	127,418	17,217
Los Angeles	653,618	16,209
Ramona	2,302	15,812
San Jose	38,642	15,783
Riverside	25,077	13,676
Sacramento	51,480	13,206
Stockton	29,039	12,001
Fresno	58,197	11,395
San Juan	53,214	11,116
ABC	29,223	8,508
Hacienda La Puente	35,607	6,534
Parlier	1,667	5,746
Median		16,011

Source: California Public Schools: Selected Statistics 1974-1975 (1976)

It is easy to look at Table I and see that there are differences in the property values per pupil for a sample of California school districts. However, from simple observation it is difficult to summarize any systematic way what those disparities are or the magnitude of the disparities. For this reason, in the analysis of larger samples of districts or of all California school districts, it is useful to employ some method for summarizing disparities.

One way of summarizing is to obtain a simple average. The mean or average property valuation per pupil for the sample districts in Table I is $18,601. This is the sum of each district's property valuation per pupil divided by the number of districts in the sample, 20.

A simple average does not account for the differences among districts in the number of pupils. A weighted average accounts for these differences. It is obtained by dividing the total property valuation of the sample districts by the total number of pupils in these same districts. The total property valuation for the sample is $98,103,385,520 for 1976-1977. There are a total of 2,100,435 pupils in these districts. Thus, the weighted average property valuation backing each pupil in the sample is $46,706.22.

Another type of average that is commonly used is the median. The simple average and the weighted average are calculated measures, the median is the average position. The median is the middle value when you arrange the values according to size. In Table I, the sample school districts are arranged from the districts with the highest property valuation per pupil to the district with the lowest property valuation per pupil. The median is the property valuation per pupil that is half

way from the district with the lowest value and half way from the district with the highest property valuation per pupil. If there were an odd number of school districts in the sample, for example, 21 school districts, the median per pupil property valuation would be that of the school district dividing the 21 districts into two equal parts of 10 districts each. Since there are an even number of school districts in our sample, 20, the median value falls somewhere between the 10th and 11th school district's per pupil property valuation. Thus, the median property value per pupil falls between Ramona's property value of $15,812 per pupil and Los Angeles' $16,209 per pupil. The median is the average of these two values or $16,011 per pupil.

Each type of average - simple, weighted average, and median - can be used to describe disparities by comparing them with the actual values for individual school districts. For example, you may indicate how many districts are above or below one of these summary measures, or indicate by how much a school district's property valuation per pupil is above or below. You may use this procedure to group districts, for example, the number of districts that are within $500 of one of the measures and so on. However, averages do not indicate how widely dispersed the districts are. One way to see if any one of these averages is representative of real property valuations per pupil, is to determine the range. The range is the difference between the highest and lowest value. Among the sample districts, San Francisco has the highest property valuation per pupil, $38,845, and Parlier has the lowest property valuation per pupil, $5,746. The range is then $38,845 - $5,746 or $33,099. Often the range is represented as a ratio, found

by dividing the highest value by the lowest value. For the sample, it is \$38,845 ÷ \$5,746 or 6.76:1. Used with the average, weighted average, or median, the range indicates how accurately the summary measure represents actual property values. For example, if for the sample districts we had obtained a range of only \$100, this would indicate that the average is fairly representative of actual property values. Specifically, it would indicate that no district's property value differs much from the average property valuation per pupil because the wealthiest and poorest districts are separated by only \$100. Since the range is much larger for the sample districts, the average is not a good representation of the actual property value of a particular district in our sample.

Disparities in Expenditures and Effort

The revenue that a school district has available to spend on education is a combination of revenue raised locally, revenue provided by the state, and federal revenue. Local revenue for school districts in California is provided almost exclusively through the property tax and accounts for about 52% of the total revenue available to school districts. The state provides 41%, and the federal government provides the remaining 7%.

Since Table I shows there are disparities in per pupil property valuations, it indicates that districts vary in their ability to raise revenue for education. We should now look at how this differential ability to raise money affects the amount of money that each district spends on education. Table II shows the property values, expenditures and tax rates for our sample districts. The expenditures range from

$1,913 per pupil in San Francisco to $1,035 in Ramona for a range of 1.85 to 1. The disparity in expenditures for the sample is not as great as the disparity in property values. The top five districts spend an average of $1,636 per pupil and the bottom five spend an average of $1,070 per pupil.

Remember, property values indicate the district's ability to support education. The school tax rates represent the effort of each district. Local tax rates are determined by dividing the local revenues raised for education by the property tax base. A poor district has to levy a higher tax rate than a rich district to provide the same level of support. For example, if San Francisco levied a tax rate of .01 or $1.00 per hundred of assessed value it would raise $388.45 per pupil ($38,845 x .01) whereas, at the same rate, Parlier would raise only $57.46 per pupil ($5,746 x .01). However, the range in tax rates is also not particularly wide. Tax rates for the sample vary from $2.77 in Calistoga to $5.53 in San Jose for a range of 2.00 to 1.

The reason that the distribution of expenditures and tax rates does not parallel the distribution of taxable resources is the existence of state aid. One of the purposes of state aid in California is to offset disparities in wealth. Since the disparity in expenditures appears to be much less than the disparity in property values, state aid has partially accomplished its purpose. Table III shows the percentage of revenue from the state for each of the sample districts. San Francisco, the wealthiest district in the sample, received only 23% of its revenue from the state whereas Parlier, the poorest district, received 74% of its revenue from state sources.

TABLE II

PROPERTY VALUE, EXPENDITURES AND TAX RATES
(Sample Districts)

District	Property Value Per ADA	Current Expenditures Per ADA	Tax Rates
San Francisco	$ 38,845	$1,913	$ 3.59
Calistoga	36,794	1,394	2.77
Palo Alto	31,485	1,920	5.48
Calaveras	30,031	1,285	3.28
Gustine	27,629	1,120	3.39
Long Beach	23,336	1,293	4.22
Oakland	19,193	1,564	4.94
Palos Verdes	17,511	1,187	4.73
San Diego	17,217	1,187	3.82
Los Angeles	16,209	1,206	4.59
Ramona	15,812	1,035	3.83
San Jose	15,783	1,387	5.53
Riverside	13,676	1,137	3.86
Sacramento	13,206	1,168	3.87
Stockton	12,001	1,319	4.44
Fresno	11,395	1,105	4.02
San Juan	11,116	1,093	3.92
ABC	8,508	1,060	3.75
Hacienda La Puente	6,534	1,058	3.58
Parlier	5,746	1,100	3.39

Source: California Public Schools: Selected Statistics 1974-1975 (1976)

TABLE III

PROPERTY VALUES, EXPENDITURES, AND PERCENT OF REVENUE FROM STATE
(Sample Districts)

District	Property Value Per ADA	Current Expenditures Per ADA	Percent Revenue From State
San Francisco	$38,845	$1,913	23%
Calistoga	36,794	1,394	17
Palo Alto	31,485	1,920	21
Calaveras	30,031	1,285	21
Gustine	27,629	1,120	29
Long Beach	23,336	1,293	25
Oakland	19,193	1,564	30
Palos Verdes	17,511	1,187	29
San Diego	17,217	1,187	33
Los Angeles	16,209	1,206	36
Ramona	15,812	1,035	40
San Jose	15,783	1,387	36
Riverside	13,676	1,137	49
Sacramento	13,206	1,168	49
Stockton	12,001	1,319	54
Fresno	11,395	1,105	55
San Juan	11,116	1,093	56
ABC	8,508	1,060	67
Hacienda La Puente	6,534	1,058	72
Parlier	5,746	1,100	74

Source: California Public Schools: Selected Statistics 1974-1975 (1976)

Grouping Districts

Thus far we have looked at disparities among our twenty unified districts. To get a better picture of disparities, you may want to distinguish between different types of districts. For example, you may want to identify and group districts of different wealth (including property value or average income), group districts of different size, or, as we show in Table IV, distinguish between districts by geographic location. In Table IV we have grouped our twenty unified districts according to large city, small city, suburban or rural districts. Now look at the property values, expenditures and tax rates for these groupings. Is there any pattern in this grouping? For our sample of unified districts no pattern emerges according to geographic location. There are no marked differences from one group to the next in property values, expenditures or tax rates. For our sample unified districts, their location does not appear to be a factor in disparities.

In many states, more of a pattern tends to appear, especially in relation to cities. While in other states a grouping of cities tends to demonstrate a pattern where they are either all above or below the state average property value, you will notice that the California grouping of cities is somewhat unique in that San Francisco is significantly wealthier than the other large city school districts. Therefore, legislation that is based on district property values will not aid San Francisco in the same way it aids other cities. This situation probably would encourage San Francisco to lobby for legislation different from that of other large cities.

TABLE IV

PROPERTY VALUES, EXPENDITURES, AND TAX RATES FOR DISTRICTS GROUPED BY GEOGRAPHIC LOCATION
(Sample Districts)

District	ADA	Property Value	Expenditures	Tax Rate
Large City				
Long Beach	59,786	$23,336	$ 1,293	$ 4.22
Los Angeles	653,618	16,209	1,206	4.59
Oakland	58,070	19,193	1,564	4.94
San Diego	127,418	17,217	1,187	3.82
San Francisco	70,607	38,845	1,913	3.59
Small City				
Fresno	58,197	11,395	1,105	4.02
Riverside	25,077	13,676	1,137	3.86
Sacramento	51,480	13,206	1,168	3.87
San Jose	38,642	15,783	1,387	5.53
Stockton	29,039	12,001	1,319	4.44
Suburban				
ABC	29,223	8,508	1,060	3.75
Hacienda La Puente	35,607	6,534	1,058	3.58
Palo Alto	13,404	31,485	1,920	5.48
Palos Verdes	18,781	17,511	1,187	4.73
San Juan	53,214	11,116	1,093	3.92
Rural				
Calaveras	1,758	30,031	1,285	3.28
Calistoga	596	36,794	1,394	2.77
Gustine	1,077	27,629	1,120	3.39
Parlier	1,667	5,746	1,099	3.39
Ramona	2,302	15,812	1,035	3.83

Source: California Public Schools: Selected Statistics 1974-1975 (1976)

Statewide Disparities

Thus far we have shown several indicators of disparities for a sample of unified districts. However, the picture we have obtained for our selected sample may not be representative of statewide disparities. California has 1,048 school districts. Table V shows the number of districts of each type - elementary, high school, and unified. Although 65 percent of the districts

TABLE V

TYPES OF CALIFORNIA DISTRICTS

	Number of Districts	ADA	ADA as Percent of Total ADA
Elementary	680	1,032,299	22%
High School	115	489,888	11%
Unified	253	3,070,651	67%
Total	1,048	4,592,838	100%

are elementary districts, 67 percent of all pupils in the state attend school in unified districts.

Remember, when examining disparities for a large number of districts, it is useful to summarize the data. Although we suggested summary presentations using averages, weighted averages, medians and ranges, California data books do not have all this information. Table VI presents summary data for wealth, expenditures, and tax effort. We have presented the median for wealth and the average for tax effort and expenditures since this was the only data available. For property wealth, the statewide range in property valuations is quite wide, with a ratio of 51.7 to 1 for unified

TABLE VI

DISPARITIES IN WEALTH, EXPENDITURES AND EFFORT

Disparities in Wealth

	Highest Per Pupil Property Value	Lowest Per Pupil Property Value	Ratio	Median
Elementary	$1,299,577	$ 476	2,730.2:1	$30,217
High School	277,877	17,445	15.9:1	53,167
Unified	110,915	2,146	51.7:1	17,450

Disparities in Expenditures

	Highest Per Pupil Expenditure	Lowest Per Pupil Expenditure	Ratio	Average
Elementary	$ 5,174	$ 602	8.6:1	$ 1,107
High School	3,679	1,060	3.5:1	1,318
Unified	2,830	994	2.9:1	1,214

Disparities in Effort

	Highest Tax Rate	Lowest Tax Rate	Ratio	Median
Elementary	$ 5.19	$ 0.31	16.7:1	$ 2.24
High School	2.64	0.66	4.0:1	1.80
Unified	6.62	0.85	7.8:1	3.89

Source: California Public Schools: Selected Statistics 1974-1975 (1976)

districts. For expenditures, the range is somewhat larger than the 1.85 to 1 range in our sample districts. The range for unified districts statewide is 2.85 to 1. For our sample districts, we saw that there was little difference in the tax rates levied by the districts, a range of 2.00 to 1. Statewide, however, the lowest tax rate for a unified district is $0.85, the highest $6.62, for a range of 7.79 to 1. The range for elementary districts is even wider, 16.74 to 1.

Although the data we have presented indicates a wide range among the districts, it is not clear whether a few districts are unusual or whether the disparity is widespread. To determine this we need to examine the distribution of districts within the range. Because over two-thirds of the students in California attend unified school districts, we will examine statewide disparities in wealth, expenditure and effort for those districts.

Disparities in Wealth

In order to examine statewide wealth disparities we have divided the districts into ranges of property value. Table VII shows the number of unified districts and number of ADA that fall within different ranges of per pupil property wealth. For example, 100 of the 253 unified districts have a per pupil property valuation of less than $15,000. This represents 39.53% of all unified districts. In terms of pupils, 1,309,347 or 42.64% of all pupils in unified districts are in districts with less than $15,000 per pupil property wealth. Only five unified districts have a per pupil property value greater than $75,000 and this affects only .06% of all unified pupils. At the bottom of Table VII we have identified the median per pupil property value.

TABLE VII

DISTRIBUTION OF PROPERTY WEALTH FOR
UNIFIED DISTRICTS

Per Pupil Property Value	Number of Districts	Percent of Districts	Number of Average Daily Attendance	Percent of Average Daily Attendance
$ 75,000 or greater	5	1.98	1,968	0.06
65,000 - 74,999	3	1.19	8,852	0.29
55,000 - 64,999	4	1.58	4,241	0.14
45,000 - 54,999	11	4.35	12,399	0.40
35,000 - 44,999	20	7.90	114,338	3.72
25,000 - 34,999	32	12.65	118,988	3.88
15,000 - 24,999	78	30.82	1,500,518	48.87
Less than 15,000	100	39.53	1,309,347	42.64
TOTALS	253	100.00	3,070,651	100.00
Median $ 17,450				

Source: California Public Schools: Selected Statistics 1974-1975 (1976)

Figure 1 graphically displays the distribution of the per pupil property values in Table VII. We show the percentage of districts within each range at the top of each bar. Figure 1 shows that 39.53% of all unified districts have property values of less than $15,000 per pupil; and 30.82% of the state's unified districts have per pupil property values between $15,000 and $25,000. The majority of unified districts (70.35%) have property values less than $25,000 per pupil, and are concentrated at the lower end of property wealth. The remaining 30% are distributed among the highest levels.

It is also important to look at distributions in terms of the percentage of pupils in each grouping. In Figure 2 we show the percentage of ADA within each range. When pupils are considered, the distribution is even more concentrated; 91.51% of all unified pupils are in districts with less than $25,000 per pupil property wealth. It is important to note that even though we can see in Figures 1 and 2 that the unified districts and pupils are concentrated in the first two ranges of property values -- less than $15,000 and $15,000 - $25,000 per pupil, the overall range of values is still quite large.

Figure 1:

DISTRIBUTION OF PER PUPIL PROPERTY VALUES
(UNIFIED DISTRICTS)

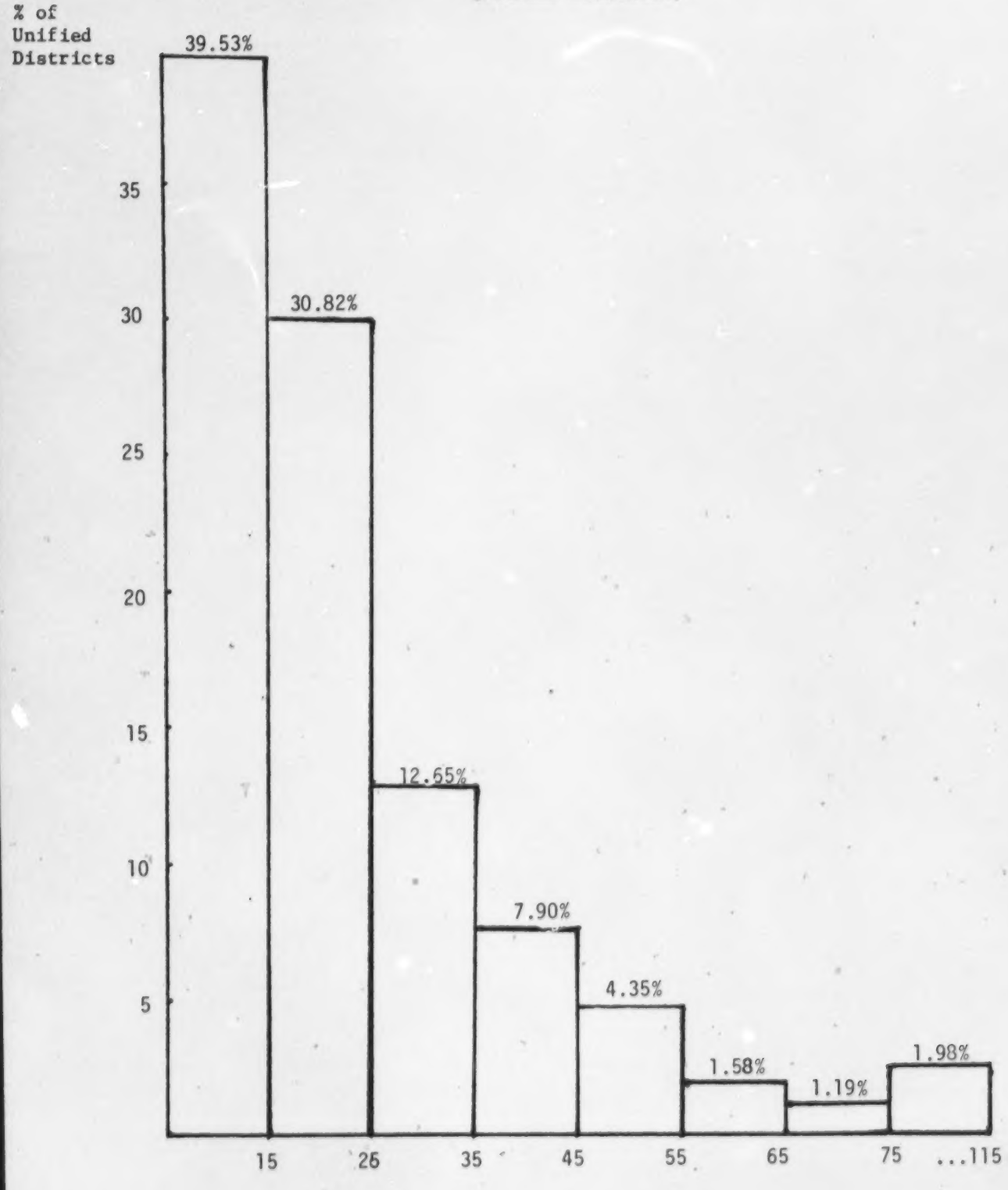
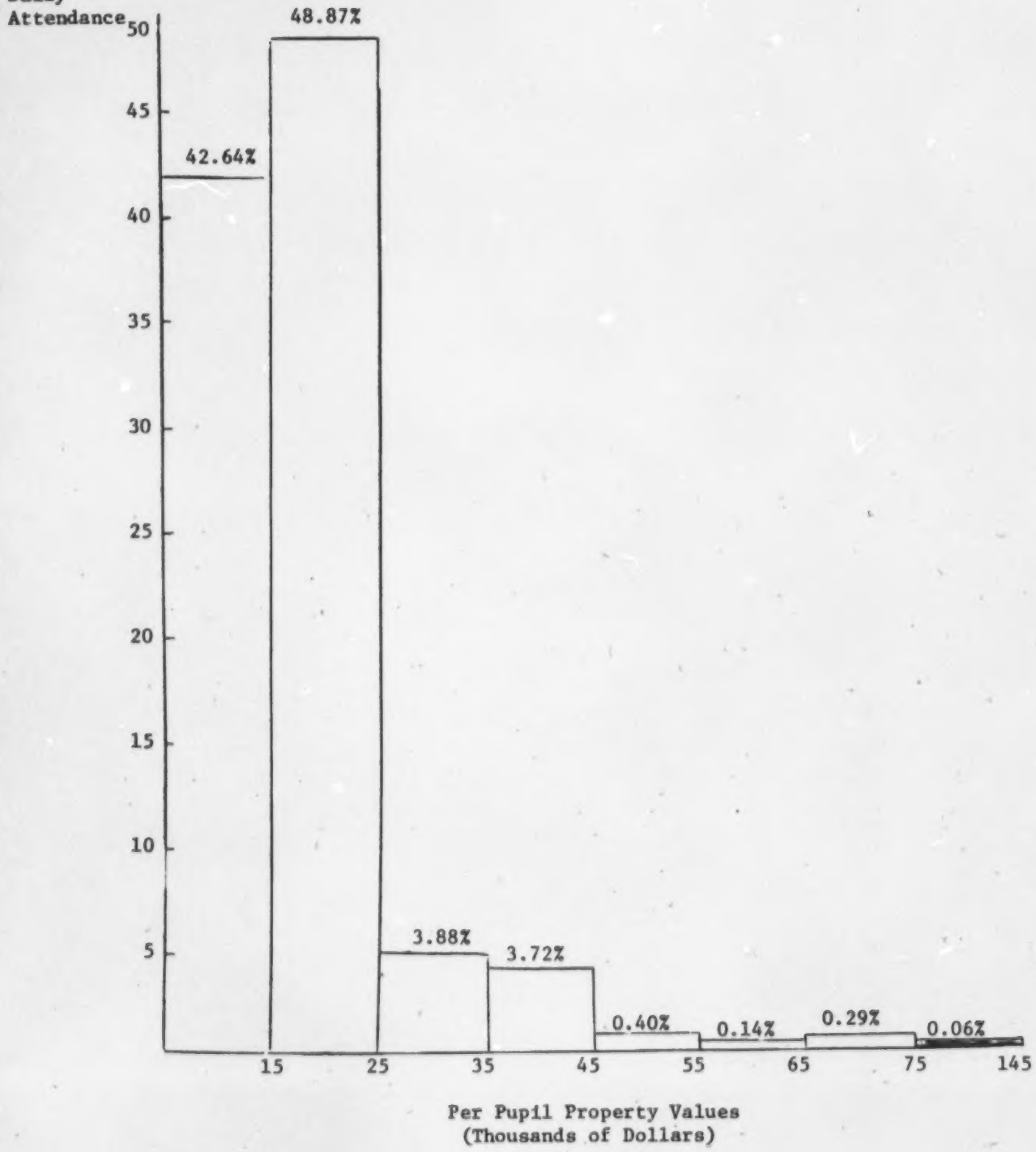


Figure 2:

DISTRIBUTION OF PER PUPIL PROPERTY VALUES
(UNIFIED DISTRICTS)



Distribution of Tax Rates and Expenditures

We have seen that unified districts are concentrated near the median per pupil property valuation. This indicates that California's unified districts are relatively similar in the property value supporting each pupil. However, the lack of significant disparities in wealth is not a reliable indication of the distribution of expenditures. Expenditure disparities depend heavily upon local tax rates.

Therefore, Figure 3 shows the distribution of local tax rates in California. The median tax rate for unified districts is $3.89 per $100 assessed value. As Figure 3 shows, 43.08 percent of the districts have a tax rate close to the median, between $3.00 and $4.00, and 30.04 percent of the districts have a tax rate between $4.00 and $5.00. Thus, over 70 percent of the districts have tax rates in the $3.00 to $5.00 range. This indicates that tax rates are also relatively concentrated. Ideally, we would want to look at the average tax rate for each category of property valuation; then we could see how property values and tax rates are related.

Thus far we have seen that California has relatively concentrated tax rates and property values. What about expenditures? Table VIII shows the median expenditure per pupil for different district sizes. Note that the larger the size of the school district in terms of the number of pupils, the smaller the median per pupil expenditure. The districts with the smallest number of ADA, 1-400, have the highest median per pupil expenditure. The average expenditure in unified districts is $1,214 per pupil.

Figure 3:
DISTRIBUTION OF TAX RATES
(UNIFIED DISTRICTS)

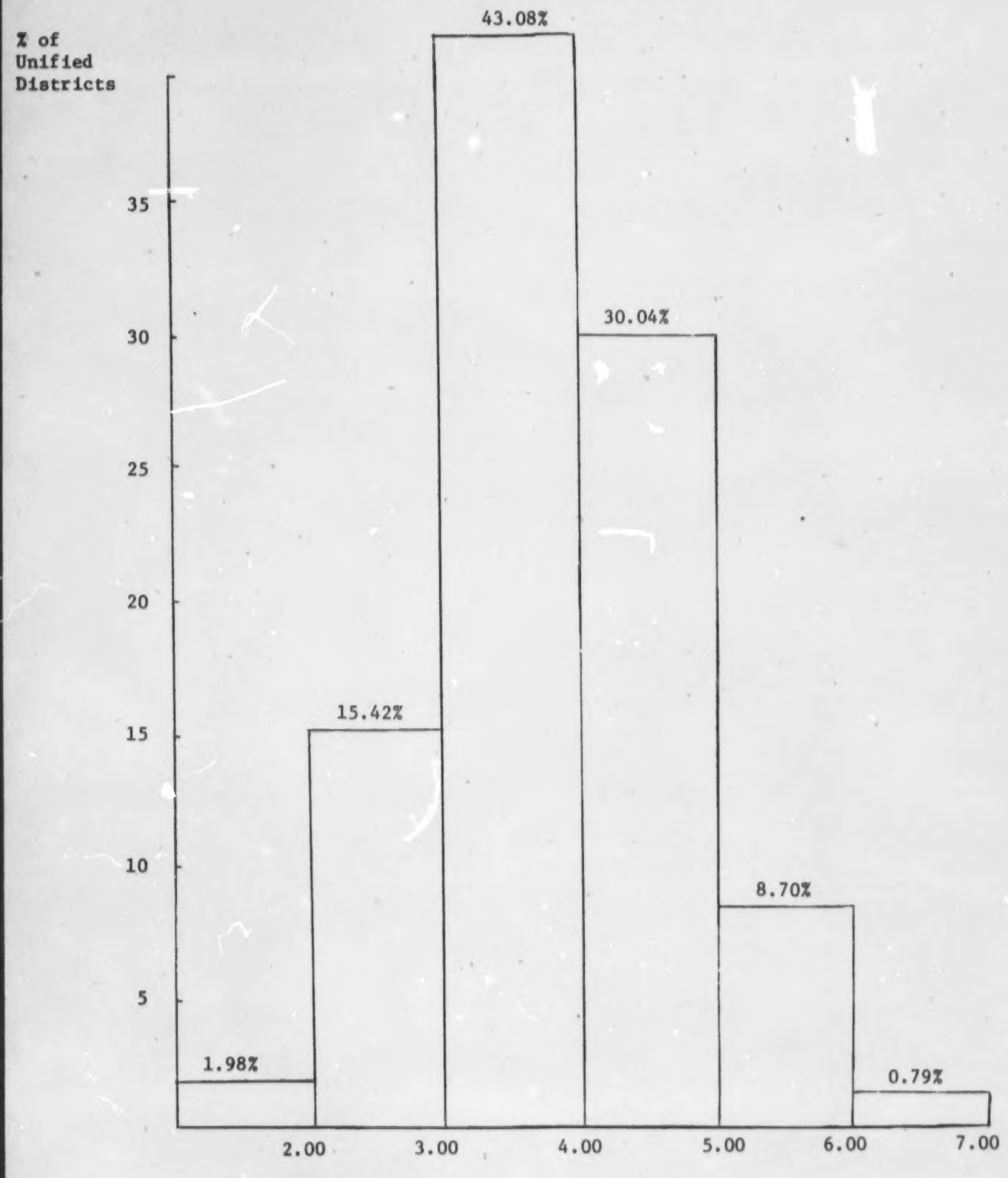


TABLE VIII

MEDIAN EXPENDITURE PER PUPIL ACCORDING TO DISTRICT SIZES
(UNIFIED DISTRICTS)

Average Daily Attendance (ADA)	Number of Districts	Median Expenditure Per Pupil
1 - 400	16	$ 1,592
- 1,500	47	1,313
- 3,000	37	1,231
- 5,000	30	1,212
- 10,000	45	1,147
- 20,000	47	1,118
More than 20,000	31	1,186

In this section we have examined disparities by grouping districts according to ranges of property values and tax rates. However, there are many ways of grouping districts in order to look at disparities. For example, you may want to identify subsets of school districts in terms of their location - urban, suburban, rural - as we did for our sample districts; or different levels of per capita income; or any other way of distinguishing between school districts. The more ways in which you distinguish between school districts, the more detailed can be your examination of disparities. You may see some patterns develop. There are a lot of questions about disparities that you may want to investigate. This chapter introduced some basic ways of looking at disparities in California. There are other measures as well as methods that you may want to use to examine disparities. The only limitation is one's

imagination and, a more serious impediment to the study of disparities, the data that can be obtained. The next chapter describes California's plan for dealing with disparities.

CHAPTER II

CALIFORNIA'S FOUNDATION PROGRAM

The revenue that a school district has available to spend on education is a combination of revenue raised locally, revenue provided by the state, and federal revenue. In this chapter we will discuss the provision of state support for education in California. State aid to school districts is provided in two forms: general purpose revenue through the Foundation Program; special program and services revenue through Categorical Aid. The state spends about $2.5 billion for the support of education. Approximately 26% of this amount is spent on Categorical programs. The five major Categorical programs are Education of Exceptional Children, Educationally Disadvantaged Youth, Early Childhood Education, Transportation and Child Development.

State aid through the Foundation Program accounts for about 74% of state aid to local districts. Since the Foundation Program is the major state aid program, it is the focus of this chapter. A Foundation Program addresses disparities in district ability to support the cost of education, and is the most popular type of state aid distribution program.

The way that a Foundation Program works is that the state determines the per pupil cost that it will support. This per pupil cost is the Foundation Amount; and the state guarantees that every school district will have at least this amount per pupil. In order to participate in the program, a school district is required to levy a tax rate that is also determined by the state. Under a Foundation Program, State Aid is then the difference between the Foundation Amount and what a local district raises using the state set tax rate.

California's Foundation Program is a variation on the traditional foundation approach. California not only sets a Foundation Amount, but it also sets restrictions on the amount of general purpose revenue that a district can raise for each pupil. These restrictions are called Revenue Limits. The Revenue Limits place a ceiling on the amount of money available for the education of each pupil in a district. The Revenue Limits on a school district operate in combination with the foundation amount to decrease the disparity in expenditures among districts. This occurs because wealthy districts cannot increase their Revenue Limit as much as poor districts, thus permitting poor districts to catch up to wealthy districts in school expenditures.

This chapter describes the major features of California's Foundation Program. It is divided into four parts:

1. An introduction to California's Foundation Amount,
2. An explanation of how to determine State Aid to school districts under the Foundation Program,
3. A description of Areawide Aid, and
4. A discussion of the Revenue Limit system.

Exercises appear throughout this chapter. In order to assist your understanding of California's formula, please complete each exercise before proceeding to new material.

Foundation Amount

The annual per pupil expenditure that the state guarantees under the Foundation Program is different for each of the three types of California school districts -- (1) elementary, (2) high school, and (3) unified.

Table I indicates the guaranteed amount per pupil for each type of district.

TABLE I

FOUNDATION PROGRAM AMOUNTS FOR 1976-77

District Type	Foundation Amount Per Pupil (ADA)
(1) Elementary	$ 1,012
(2) High School	1,198
(3) Unified	
Elementary	1,032 or (1,012 + 20)
High School	1,218 or (1,198 + 20)

Note:

The amount is different for elementary and high school districts. The higher amount for high school pupils is based on the fact that a high school education tends to cost more.

The amount for a unified district includes a $20 unification bonus for each pupil (i.e., for elementary the amount is ($1,012 + 20) or $1,032 and for high school the amount is ($1,198 + 20) or $1,218).

Pupil is defined by Average Daily Attendance (ADA) (see Appendix A for a full description of California ADA procedures).

The Foundation Amounts in the table are for 1976-77; in each succeeding year there is an automatic increase in the foundation amount (see Appendix B for further details).

The Elementary District Foundation Amount applies to school districts with more than 300 ADA; the High School Foundation Amount to high school districts with more than 900 ADA. Different amounts apply to smaller size districts.

The Total Foundation Amount for a school district is the number of pupils multiplied by the foundation amount per pupil. To determine the Total Foundation Amount to a district, let us use an example of an elementary district with 1,000 ADA. The Total Foundation Amount is the 1,000 ADA multiplied by the elementary per pupil Foundation Amount ($1,012). Thus:

Total Elementary Foundation Amount to a District	=	District ADA	x	Elementary Per Pupil Foundation Amount
	=	1,000	x	$1,012
	=	$1,012,000		

For a high school district with 1,000 ADA, the Total Foundation Amount is its ADA multiplied by the high school per pupil Foundation Amount, (1,000 x $1,198) or $1,198,000. For a unified district with 1,000 elementary and 1,000 high school ADA, the Total Foundation Amount is determined as follows:

1. Multiply the elementary ADA by the elementary per pupil Foundation Amount for a unified district.

   1,000 x $1,032 = $1,032,000

2. Multiply the high school ADA by the high school per pupil Foundation Amount.

   1,000 x $1,218 = $1,218,000

3. Add the total elementary and high school Foundation Amounts to obtain the district's Total Foundation Amount.

   $1,032,000 + $1,218,000 = $2,250,000

Exercises for Foundation Amount

1. A high school district has 10,000 ADA. What is its Total Foundation Amount?

   a. $1,198

   b. $1,218

   c. $10,198,000

   d. $11,980,000

2. What is the Total Foundation Amount for an elementary program with 1,000 ADA in a unified school district?

   a. $1,032

   b. $1,032,000

   c. $1,012,000

   d. not enough information

3. What is the Total Foundation Amount for a unified district with 2,000 elementary ADA and 1,000 high school ADA?

   a. $3,213,000

   b. $3,282,000

   c. $2,210,000

   d. $3,262,000

State Aid Under the Foundation Program

Under the Foundation Program, local school districts are expected to share in the cost of the program. The amount that a district must contribute depends on its property value. Districts with high property values contribute more than districts with low property values. State Aid equals the difference between what the local district contributes and the Total Foundation Amount. Thus:

State Aid to a School District	=	Total Foundation Amount	-	District Contribution

District Contribution

To determine how much State Aid a district will receive, you need to calculate the District Contribution. The District Contribution is the district's property valuation multiplied by a Computational Tax Rate:

District Contribution	=	Property Valuation	x	Computational Tax Rate

What is the Computational Tax Rate? It is a uniform tax rate set by the state to determine the District Contribution. It is not the actual tax rate used by the district. Table II shows the Computational Tax Rates for the three types of California districts.

TABLE II

COMPUTATIONAL TAX RATES

	Tax Rate Per $100 Modified Assessed Value	Tax Rate As A Percentage Modified Assessed Value
Elementary	$ 2.23	.0223
High School	1.64	.0164
Unified		
Elementary	2.23	.0223
High School	1.64	.0164

Note in Table II:

Modified assessed value is an adjustment to assessed value to make property tax bases comparable across all districts. Property assessments in each county are adjusted by what is known as the Collier Factor. In California, the adjusted assessment is approximately 25% of market value.

A separate Computational Tax Rate is used for elementary and high school districts.

A unified district has two Computational Tax Rates. Each tax rate is applied to the total property tax base.

Tax rates are shown per $100 modified assessed value and as a percentage of assessed value (i.e., $2.23/100 = .0223).

It is easier to understand property values in per pupil terms. Per pupil property value in a district is determined by dividing total property value by district ADA. Thus, if our elementary district and our high school district each have a total property valuation of $10,000,000, each would have a per pupil property value of $10,000,000 divided by their ADA (1,000), or $10,000.

For a unified district, the elementary and high school Computational Tax Rates are applied separately to the total property valuation. Thus, two steps are necessary to determine the per pupil valuation. If our unified district with 1,000 elementary and 1,000 high school ADA has a total property valuation of $10,000,000, one would determine its per pupil property valuation as follows:

1. Determine the elementary per pupil valuation by dividing the total property valuation by the elementary ADA.

   $10,000,000/1,000 = $10,000

2. Determine the high school per pupil valuation by dividing the total property valuation by the high school ADA.

   $10,000,000/1,000 = $10,000

Now that the Computational Tax Rate and per pupil property valuations are understood, let us return to the problem at hand: figuring out the

District Contribution in per pupil terms.

District Contribution Per Pupil = Property Value Per Pupil x Computational Tax Rate

Table III shows the calculation of the District Contribution per pupil for our elementary, high school and unified districts.

TABLE III

DISTRICT CONTRIBUTION PER PUPIL

District Type	Property Valuation	Computational Tax Rate	District Contribution
Elementary	$10,000	.0223	$ 223
High School	10,000	.0164	164
Unified			
Elementary	10,000	.0223	223
High School	10,000	.0164	164

For our elementary district, the District Contribution is the per pupil valuation ($10,000) multiplied by the elementary Computational Tax Rate (.0223), or $223 per pupil. The District Contribution for the high school district is($10,000 x .0164) or $164 per pupil.

For our unified district, the District Contribution is determined as follows:

1. Determine the elementary contribution by multiplying the elementary per pupil valuation by the Computational Tax Rate for an elementary district ($2.23 per $100 or .0223).

   $10,000 x .0223 = $223

2. Determine the high school contribution by multiplying the high school per pupil valuation by the Computational Tax Rate for a high school district ($1.64 per $100 or .0164).

   $10,000 x .0164 = $164

Exercises for District Contribution

4. An elementary district has a total property valuation of $10,000,000. What is this district's total contribution?

   a. $22,300,000

   b. $223,000

   c. $2,230,000

   d. $22,300

5. An elementary district has a total property valuation of $100,000,000 and 10,000 ADA. What is the per pupil property value?

   a. $100,000

   b. $10,000

   c. $1,000

   d. $100

6. An elementary district has a per pupil property valuation of $100,000. What is this district's per pupil District Contribution?

   a. $223

   b. $2,230

   c. $1,640

   d. $2,400

7. A high school district has 10,000 ADA and a total property valuation of $100,000,000. What is the district's per pupil District Contribution?

   a. $1,640

   b. $164

   c. $10,000

   d. $223

8. A unified district has 1,000 elementary ADA and 10,000 high school ADA. It has a property tax base of $200,000,000. What is the elementary per pupil property tax base?

   a. $200,000

   b. $100,000

   c. $20,000

   d. $10,000

9. A unified school district has a total tax base of $10,000,000. There are 1,000 elementary ADA and 1,000 high school ADA. What is the district contribution for each elementary pupil?

   a. $10,000

   b. $1,000

   c. $223

   d. $2,230

10. A unified school district has a property tax base of $10,000,000. There are 1,000 elementary ADA and 10,000 high school ADA. What is the per pupil District Contribution to both the elementary and high school programs?

	Elementary	High School
a.	$223	$ 16.40
b.	$2,230	$ 1,640
c.	$202.73	$ 149.09
d.	$22.30	$ 16.40

Calculation of State Aid

Remember that State Aid is the Total Foundation Amount minus the District Contribution. You have seen that the District Contribution is the Computational Tax Rate multiplied by the District Property Value.

State Aid = Per Pupil Foundation Amount x District ADA - District Contribution

State Aid to Elementary District = ($1,012 x District ADA) - (.0223 x Property Valuation)

State Aid to High School District = ($1,198 x District ADA) - (.0164 x Property Valuation)

State Aid to Unified District = ($1,032 x Elementary ADA) - (.0223 x Property Valuation)
+
($1,218 x High School ADA) - (.0164 x Property Valuation)

Per pupil State Aid can be determined by dividing total State Aid by the number of ADA in the district. Table IV shows State Aid per pupil for the three districts.

Note in Table IV:

Two calculations are performed for the unified district. State Aid per pupil for the elementary program is $1,032 minus the $223 contribution, or $809 per pupil. Aid for the high school program is $1,218 minus the $164 contribution or $1,054 per pupil.

The Foundation Amounts are higher for each program in the unified district because of the $20 unification bonus.

Even though the elementary district has the same per pupil property valuation as the elementary program in the unified district, its state aid is lower. This is because its Foundation Amount is lower.

TABLE IV

STATE AID PER PUPIL

District Type	Property Valuation	Foundation Amount	District Contribution	State Aid
Elementary	$10,000	$1,012	$ 223	$ 789
High School	10,000	1,198	164	1,034
Unified				
Elementary	10,000	1,032	223	809
High School	10,000	1,218	164	1,054

Figure 1 on the following page shows the District Contribution and State Aid as portions of the Foundation Amounts for each of our example districts.

Note:

The Foundation Amounts are displayed at the top of each bar.

District Contributions per pupil are the marked areas at the bottom of each bar.

State Aid per pupil for each type of district is represented by the white areas. State aid makes up the difference between the District Contribution and the Foundation Amount.

Total State Aid is the number of pupils multiplied by the State Aid per pupil. Total State Aid for the elementary district with 1,000 ADA and $789 per pupil of State Aid is (1,000 x $789) or $789,000. The high school district with 1,000 ADA and per pupil State Aid of $1,034, receives (1,000 x $1,034) or $1,034,000 of Total State Aid.

For our unified district, three steps are necessary to determine total State Aid:

1. Multiply per pupil State Aid to the elementary program by the elementary ADA:

   $809 x 1,000 = $809,000

2. Multiply the per pupil State Aid to the high school program by the high school ADA:

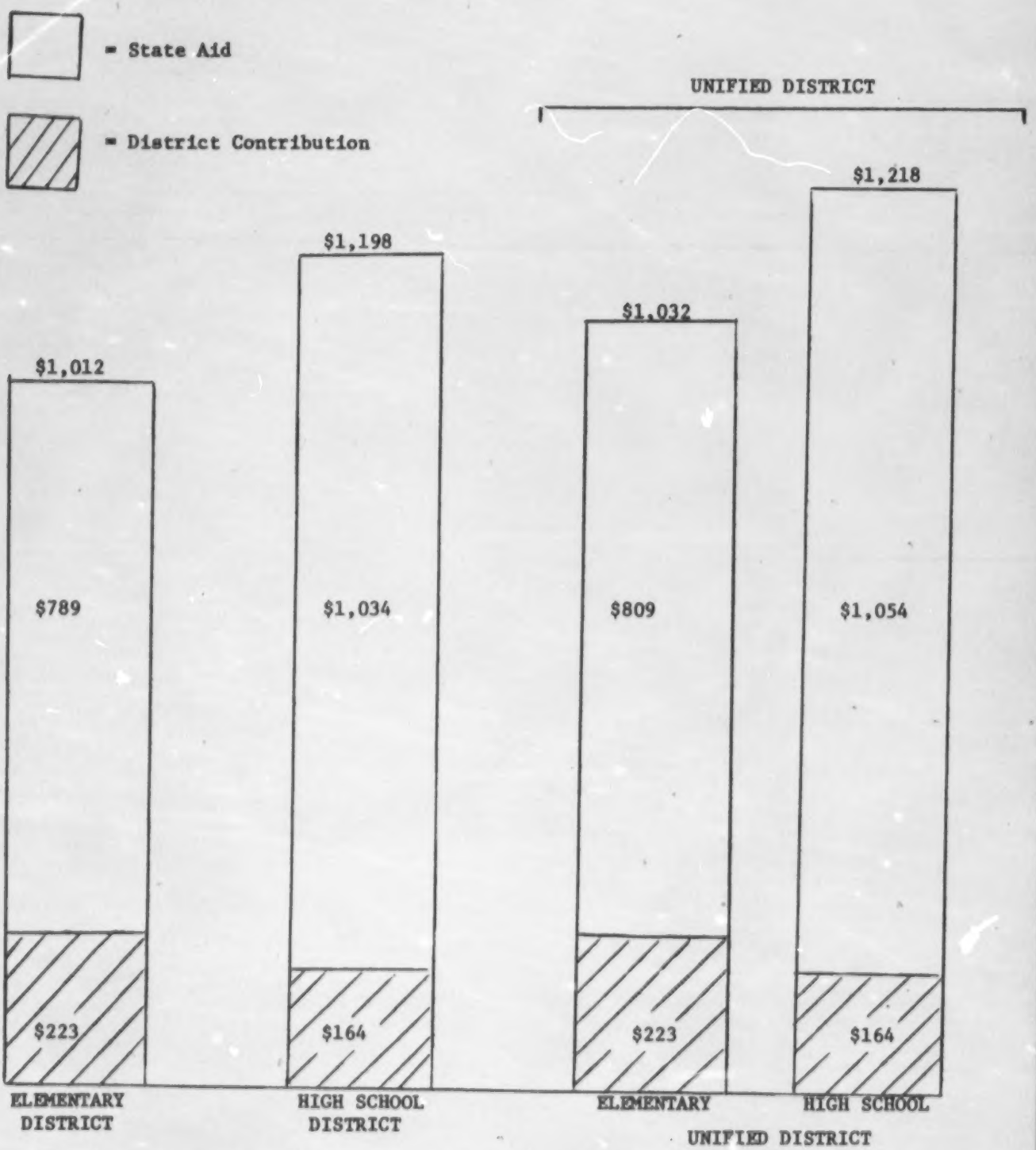
   $1,054 x 1,000 = $1,054,000

3. Add the elementary and secondary State Aid:

   $809,000 + $1,054,000 = $1,863,000.

Figure 1:

CALCULATION OF STATE AID FOR EXAMPLE DISTRICTS



Often you will see only one State Aid figure for a unified district. This is obtained by dividing total State Aid by the total number of pupils in the district. Thus, for our example unified district:

Per Pupil State Aid to District = $1,863,000/2,000

= $931.50

If you see only <u>one</u> per pupil figure for the Foundation Amount or the District Contribution of a unified district, these amounts are obtained in the same way as the per pupil State Aid. Obtain the total Foundation Amount or the total District Contribution and divide by the total number of pupils in the district.

Similarly, if you see only one figure for property valuation in a unified district, it is obtained by dividing the total property value by the total number of pupils in the district. For our example district this is $10,000,000/2,000 or $5,000.

The basic purpose of the Foundation Program is to lessen the disparity in the ability of districts to raise revenue. Therefore, low wealth districts receive more State Aid than high wealth districts. Table V shows the calculation of state aid for districts with below average and above average per pupil property valuations. As the per pupil property valuation increases, the District Contribution increases, thus reducing the amount of State Aid per ADA that a district receives. The below average elementary district receives $789 per pupil in State Aid whereas the above average district receives only $343 in State Aid.

Although the District Contribution is used to determine State Aid, a district does not have to actually raise this amount of money. The Computational Tax Rate may be higher or lower than the actual tax rate in the district. The calculation of the District Contribution is only for the purpose of determining State Aid. Districts will receive their calculated amount of State Aid whether or not they raise the District Contribution.

TABLE V

FOUNDATION FORMULA AND PROPERTY VALUATIONS

	Per Pupil Property Valuation	Per Pupil Foundation Amount	Per Pupil District Contribution	Per Pupil State Aid
Elementary Districts				
District A (Below Average)	$10,000	$1,012	$223	$789
District B (Average)	20,000	1,012	446	566
District C (Above Average)	30,000	1,012	669	343
Secondary Districts				
District D (Below Average)	30,000	1,198	492	706
District E (Average)	50,000	1,198	820	378
District F (Above Average)	60,000	1,198	984	214

Exercises for Calculation of State Aid

11. An elementary district has a district per pupil contribution of $812. How much state aid per pupil does this district receive?

    a. $812

    b. $200

    c. $1,812

    d. not enough information

12. An elementary school district has 1,000 ADA. The district contributes $100,000 to their education. How much State Aid does this district receive?

    a. $912,000

    b. $1,012,000

    c. $12,000

    d. not enough information

13. A unified school district with 1,000 elementary ADA and 1,000 high school ADA and a total District Contribution of $1,000,000 receives how much State Aid?

    a. $1,201,000

    b. $1,250,000

    c. $3,402,000

    d. not enough information

14. A high school district has 1,000 ADA. The district contributes $100 for each pupil's education. How much State Aid does the district receive?

    a. $1,198,000

    b. $1,098,000

    c. $100,000

    d. not enough information

15. A high school district has 1,000 ADA and a property tax base of $10,000,000. What amount of State Aid does the district receive?

    a. $1,034,000

    b. $164,000

    c. $1,189,000

16. A unified district has a per pupil elementary District Contribution of $200. There are 1,000 elementary ADA. How much total State Aid for elementary pupils does this district receive?

    a. $200,000

    b. $832,000

    c. $812,000

    d. $8,320,000

17. A unified school district has 1,000 elementary ADA, 500 high school ADA, and a property tax base of $10,000,000. What is the total State Aid to the district?

    a. $809,000

    b. $1,254,000

    c. $445,000

    d. $1,224,000

Basic and Equalization State Aid

State aid under the Foundation Program is provided in two forms: Basic Aid and Equalization Aid. Basic Aid results from the decision that everyone should get something. Every California school district is entitled to at least $125 per ADA, known as Basic Aid. This is provided to every school district regardless of the district's ability to finance its educational program. Districts which raise more than the Foundation Amount with the Computational Tax Rate still receive $125 per ADA in basic aid. If the difference between a district's contribution and the Foundation Amount is greater than $125 per ADA, the district will receive Equalization Aid in the amount of the excess. Table VI shows Basic and Equalization Aid for the three elementary school districts used in Table V. Figure 2 shows the Basic and Equalization Aid graphically.

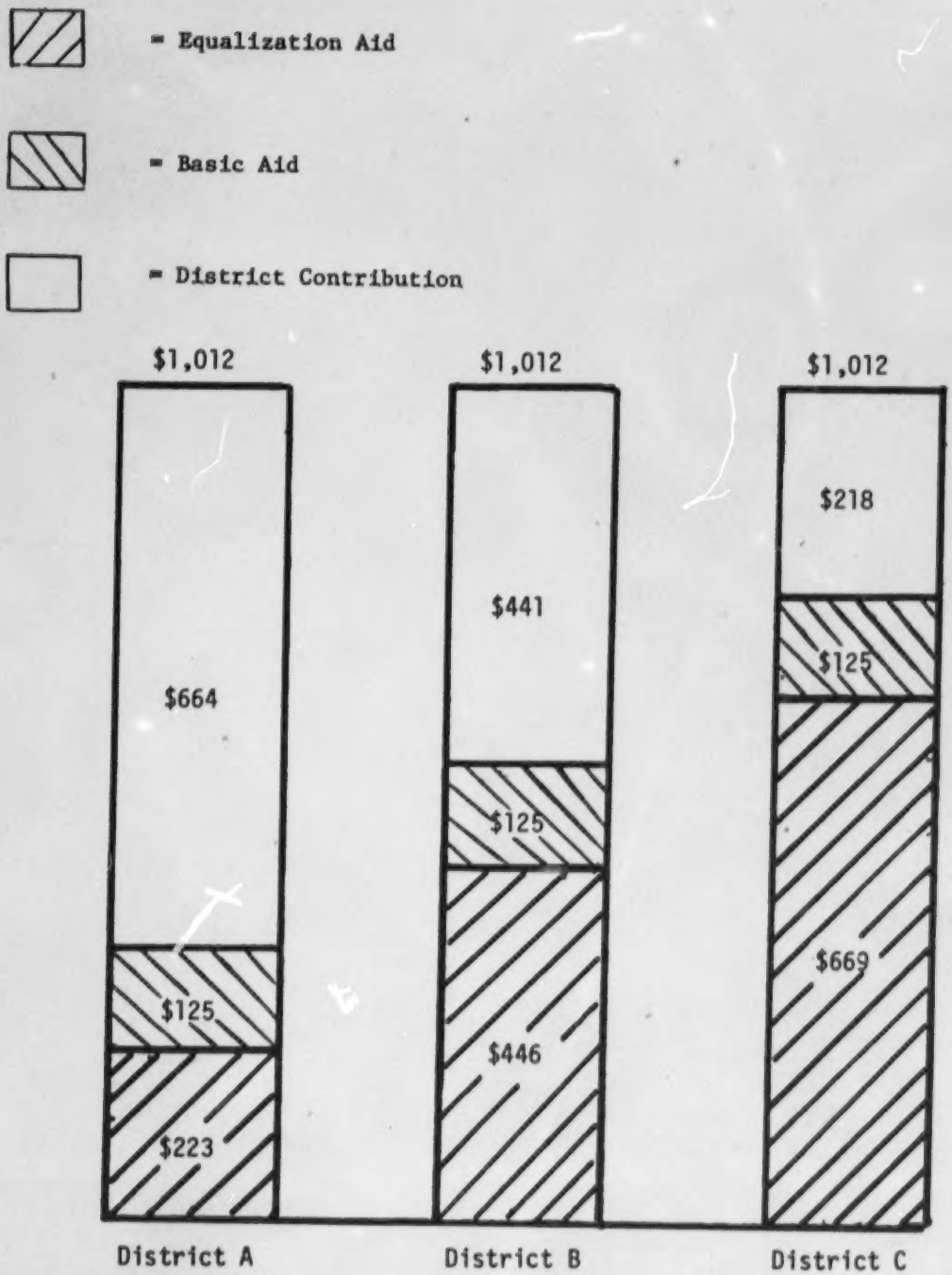
TABLE VI

FOUNDATION FORMULA FOR THE THREE ELEMENTARY SCHOOL DISTRICTS

District	Property Valuation	Foundation Program	District Contribution	State Aid	Basic Aid	Equalization Aid
A	$10,000	$1,012	$223	$789	$125	$664
B	20,000	1,012	446	566	125	441
C	30,000	1,012	669	343	125	218

Figure 2

FOUNDATION FORMULA FOR THREE ELEMENTARY SCHOOL DISTRICTS



All three districts receive Equalization Aid because the difference between the Foundation Amount and the District Contribution is greater than $125 per ADA. For example, District A is entitled to $789 in State Aid. It receives $125 in Basic Aid and ($789 - $125) or $664 in Equalization Aid. However, if a district raises the Foundation Amount with its District Contribution, it still receives $125 per ADA in Basic Aid. For example, an elementary school district with a per pupil property valuation of $60,000 has a District Contribution of ($60,000 x .0223) or $1,338 per pupil. This contribution is higher than the Foundation Amount ($1,012), but the district will still receive $125 per ADA in Basic Aid.

Exercises for Basic and Equalization Aid

18. A school district receives State Aid in the amount of $300 per pupil. How much Equalization Aid does the district receive?

    a. none

    b. $125

    c. $175

    d. $300

19. A school district receives $500 per ADA of Equalization Aid. How much State Aid does this district receive under the Foundation Program?

    a. $500

    b. not enough information

    c. $625

    d. $375

20. An elementary district with 1,000 ADA receives how much Basic Aid?

    a. $12,500

    b. $125,000

    c. $1,012,000

    d. not enough information

21. A high school district with 1,000 ADA receives $200,000 of State Aid. How much Equalization Aid does the district receive?

    a. $125,000

    b. $325,000

    c. $ 75,000

    d. not enough information

22. The District Contribution per elementary pupil in a unified district is $446. What does each elementary pupil receive in Equalization Aid?

    a. $125

    b. $446

    c. $586

    d. $461

23. A unified district with 1,000 elementary and 1,000 high school ADA receives $225 per elementary ADA of State Aid and $325 per high school ADA of State Aid. What is the total amount of Equalization Aid this district receives?

    a. $550,000

    b. $300,000

    c. $250,000

    d. not enough information

24. A high school district with 1,000 ADA and a per pupil property value of $20,000 receives how much Equalization Aid per pupil?

    a. $164

    b. $328

    c. $870

    d. $745

25. A unified district has 1,000 elementary ADA, 1,000 high school ADA, and a property tax base of $20,000,000. What amount of Equalization Aid per elementary and high school pupil does the district receive?

	Elementary	High School
a.	$461	$765
b.	$571	$453
c.	$446	$328
d.	$441	$745

Areawide Aid Program

A further complication of the California school finance plan involves Areawide Aid. Most of California's school districts are grouped into "areas." Each area was required to vote on unification. For districts in areas which voted against unification state aid is computed in the following way:

$$\text{State Aid} = \text{Total Foundation Amount} - (\text{District Contribution} + \text{Areawide Aid})$$

Areawide Tax

In order to understand Areawide Aid we must begin by describing the Areawide Tax. All districts in an area must levy the Areawide Tax. The purpose of this tax was to provide an incentive for rich districts to merge with poor districts and to save the state money. There is a separate Areawide Tax Rate for elementary and high school districts. Table VII shows the Areawide and Computational Tax Rates for districts in areas.

Each elementary district in an area now has a Computational Tax of $1.23 rather than $2.23 (see Table VII). The remaining $1.00 tax rate is levied as an areawide tax. Similarly, each area high school district must now levy a Computational Tax of $.84 and an areawide tax of $.80.

The sum of the revenue raised by the Areawide Tax in each district is the Areawide Revenue. In order to explain Areawide Revenue let us assume our three elementary districts in Table VI are members of an area that voted against a unification plan. Table VIII shows their Areawide Revenue.

TABLE VII

AREAWIDE TAX AND COMPUTATIONAL TAXES

Area Type District	Areawide Tax Per $100 Modified Assessed Value	Areawide Tax as a Percent of Assessed Value	Computational Tax In An Area Per $100 Modified Assessed Value	Computational Tax as a Percent of Assessed Value
Elementary	$1.00	.0100	$1.23	.0123
High School	.80	.0080	.84	.0084

TABLE VIII

AREAWIDE REVENUE

(Elementary Districts)

	Property Valuation Per Pupil	Areawide Tax	Revenue Per Pupil	Pupils (ADA)	Districts Revenue
District A	$10,000	.01	$100	1,000	$100,000
District B	20,000	.01	200	1,000	200,000
District C	30,000	.01	300	1,000	300,000
Areawide Revenue					$600,000

The following steps are necessary to determine Areawide Revenue:

1. The property value per pupil in each district is multiplied by the Areawide Tax Rate. For District A the per pupil property value of $10,000 is multiplied by the areawide tax of .01 to obtain revenue per pupil of $100.

2. The revenue per pupil for each district is multiplied by the number of pupils in the district. Thus, for District A the total district revenue is $100,000.

3. The areawide revenue is the sum of the revenue from each district in the area. In our example:

   Areawide Revenue = $100,000 + $200,000 + $300,000

   = $600,000

Areawide Aid

The Areawide Revenue is divided among the districts in the area. Each district receives a share of Areawide Revenue which is called Areawide Aid. We will use our same three elementary districts to show how Areawide Aid is determined.

For our three districts the following steps are necessary:

1. Determine the total Foundation Amount for each district in the area by multiplying the per pupil Foundation Amount ($1,012) by the number of pupils (1,000). The total amounts are:

District A	$1,012 x 1,000 = $1,012,000
District B	$1,012 x 1,000 = $1,012,000
District C	$1,012 x 1,000 = $1,012,000

2. Determine the total Foundation Amount for the area by adding the amount for each district.

   Total Foundation Amount for Area = $1,012,000 + $1,012,000 + $1,012,000

   = $3,036,000

3. Determine each district's proportion of the total Foundation Amount for the area by dividing a district's total Foundation Amount by the total amount for the area. The proportions are:

   District A $1,012,000/3,036,000 = 1/3

   District B $1,012,000/3,036,000 = 1/3

   District C $1,012,000/3,036,000 = 1/3

4. Determine the amount of Areawide Aid a district receives by multiplying the district's proportion of the Areawide Foundation Amount by the Areawide Revenue. Thus, the Areawide Aid is:

   District A 1/3 x $600,000 = $200,000

   District B 1/3 x $600,000 = $200,000

   District C 1/3 x $600,000 = $200,000

A district might contribute more to Areawide Revenue than it receives back in Areawide Aid. Similarly, other districts may receive more in Areawide Aid than they contribute to Areawide Revenue. Table IX summarizes the Areawide Revenue and the amount raised by the Areawide Tax for our three elementary districts.

TABLE IX

AREAWIDE AID

	Amount Contributed to Areawide Revenue	Areawide Aid
District A	$100,000	$200,000
District B	200,000	200,000
District C	300,000	200,000

Note:

District A raises only $100,000, but receives $200,000 in Areawide Aid.

District C raises $300,000, but receives only $200,000 in Areawide Aid.

Exercises for Areawide Aid

26. An elementary district in an area that did not approve of a unification plan has 1,000 ADA and a property tax base of $1,000,000. How much does this district provide to Areawide Revenue?

    a. $12,300

    b. $22,300

    c. $10,000

    d. $1,230

27. Two high school districts in an area have the following per pupil property values:

    District A $10,000 Per pupil
    District B $50,000 Per Pupil

    There are 1,000 ADA in each district. What is the amount of Areawide Revenue?

    a. $1,200,000

    b. $480,000

    c. $800,000

    d. $400,000

    There are two elementary districts composing an area that voted against unification. Each district has 1,000 ADA. District A has a per pupil property value of $10,000; District B has a per pupil property value of $50,000. Answer the following questions:

28. How much does District A contribute to Areawide Revenue?

    a. $100,000

    b. $500,000

    c. $600,000

    d. $600

29. What is the total amount of Areawide Revenue?

    a. $600

    b. $500,000

    c. $600,000

    d. $500

30. What is the total Foundation Amount for the area?

    a. $1,012

    b. $1,012,000

    c. $2,024

    d. $2,024,000

31. What is District B's proportion of the total Foundation Amount for the area?

    a. .25

    b. .50

    c. .75

    d. .60

32. How much does District B receive in Areawide Aid?

    a. $ 300

    b. $300,000

    c. $500,000

    d. $100,000

Areawide Aid and State Aid

We now have all the information necessary to compute State Aid in an area. Remember:

$$\text{State Aid to An Area} = \text{Total Foundation Amount} - (\text{District Contribution} + \text{Areawide Aid})$$

Table X shows the per pupil State Aid for our three elementary districts in an area.

TABLE X

STATE AID PER PUPIL TO ELEMENTARY DISTRICTS IN AN AREA

	Property Valuation	Foundation Amount	District Contribution	Areawide Aid	Areawide Aid + District Contribution	State Aid
District A	$10,000	$1,012	$123	$200	$323	$689
District B	20,000	1,012	246	200	446	566
District C	30,000	1,012	369	200	569	443

The following three steps are necessary to determine per pupil State Aid:

1. Per pupil Areawide Aid for each district is determined by dividing Areawide Aid ($200,000) by the number of pupils in each district (1,000).

   $200,000/1,000 = $200

2. The District Contribution is determined by multiplying the reduced Computational Tax Rate of (.0123) by the per pupil valuation. For District A the District Contribution is $123 or (10,000 x .0123).

3. Areawide Aid is added to the District Contribution for each district. For District A Areawide Aid plus the District Contribution is $323 or ($200 + $123).

4. The amount obtained in Step 3 is subtracted from the per pupil Foundation Amount. Thus, State Aid to District A is $689 or ($1,012 - $323).

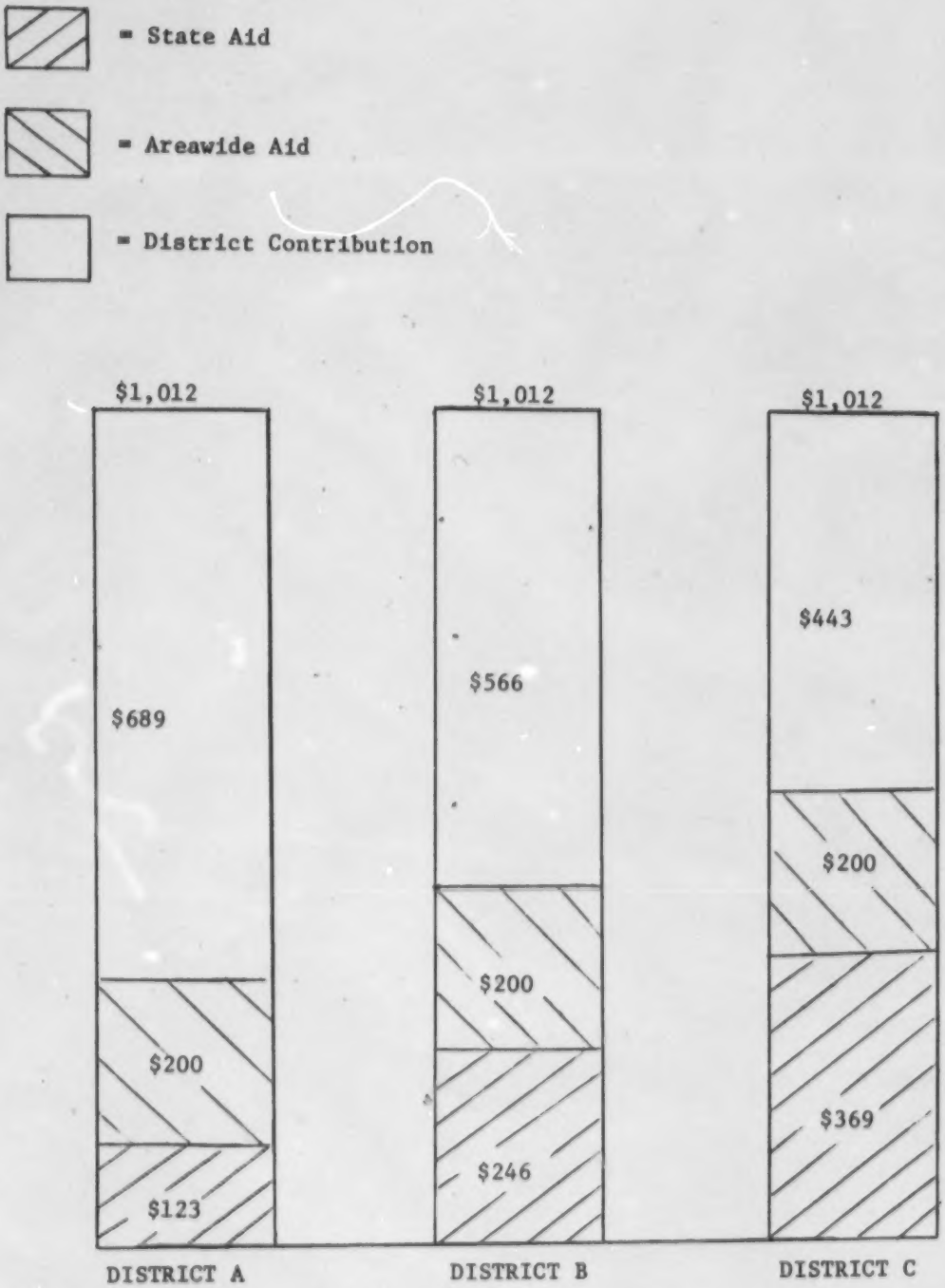
Figure 3 summarizes the Foundation Formula for our three elementary districts in an area. Note:

Each district has a different District Contribution (at the bottom of each bar) because of different property tax bases, but each district receives the same $200 per ADA of Areawide Aid.

State Aid is the difference between the shaded areas on the bars (the District Contribution and Areawide Aid) and the Foundation Amount. District A receives the largest amount of State Aid per pupil because it makes the smallest District Contribution; District C receives the smallest amount of State Aid per pupil because it has the highest District Contribution.

Figure 3:

FOUNDATION FORMULA FOR THREE ELEMENTARY DISTRICTS IN AN AREA



Exercises for Areawide and State Aid

A high school district receives $200 per pupil in Areawide Aid. The district has 1,000 ADA and a property tax base of $20,000,000. Answer the following questions:

33. What is the District Contribution per pupil?

    a. $168

    b. $100

    c. $ 80

    d. $328

34. How much State Aid does the district receive?

    a. $1,030,000

    b. $998,000

    c. $830,000

    d. $164,000

35. How much Equalization Aid per pupil does the district receive?

    a. $125

    b. $523

    c. $705

    d. $364

36. An elementary district is in an area that voted against unification. It has 1,000 ADA and a property tax base of $10,000,000. It receives $12,000 of Areawide Aid. How much State Aid does the district receive?

    a. $123,000

    b. $877,000

    d. $100,000

    d. $789,000

Revenue Limits

In addition to receiving a Foundation Amount, each district in California has a ceiling on the amount of state and local money per ADA that it can raise for general purposes. This ceiling is known as a Revenue Limit. Districts may not exceed this ceiling without a vote of the residents. The major goal of the Revenue Limit is to narrow the disparity among districts on expenditures for general education.

How is the Revenue Limit determined? The Revenue Limit was first determined in 1973-74 for each California school district. This limit was based on the actual revenue per ADA available for the prior year. In each subsequent year an increase in the Revenue Limit is calculated. The amount of the increase depends on the relationship between the district's per pupil Revenue Limit and its per pupil Foundation Amount. If the Revenue Limit and the Foundation Amount are the same, the Revenue Limit is allowed to increase as much as the Foundation Amount. Because the Revenue Limit is a device to lessen disparity in expenditures, districts whose Revenue Limit is below the per pupil Foundation Amount may increase their Revenue Limit more rapidly than the per pupil Foundation Amount increases. On the other hand, districts whose Revenue Limit is above the per pupil Foundation Amount cannot increase their Revenue Limit as much as the Foundation Amount increases.

Let us calculate the Revenue Limit for three sample districts. Table XI shows the 1975-76, and 1976-77 Foundation Amount and Revenue Limit for our three districts.

TABLE XI

FOUNDATION AMOUNTS AND REVENUE LIMITS PER PUPIL

	Foundation Amount 1975-76	Revenue Limit 1975-76	Foundation Amount 1976-77	Revenue Limit 1976-77
District A	$ 909	$ 909	$1,012	$1,012.00
District B	909	900	1,012	1,012.00
District C	909	1,212	1,012	1,289.25

Note:

District A's 1975-76 Foundation Amount and 1975-76 Revenue Limit are the same.

District B has a 1975-76 Revenue Limit below the 1975-76 Foundation Amount.

District C has a Revenue Limit above the Foundation Amount.

The calculation of the 1976-77 Revenue Limit for District A is simple. Its Revenue Limit for 1975-77 is the same as the Foundation Amount for 1976-77, $1,012. For District B, whose revenue limit is below the Foundation Amount, the calculation is a bit more complicated. Such a district can increase its Revenue Limit up to 15% provided that this new Revenue Limit does not exceed the new Foundation Amount. District B has a Revenue Limit of $900 for 1975-76. The following steps are necessary for determining its 1976-77 Revenue Limit:

1. Determine 15% of the 1975-76 Revenue Limit.

   $900 x .15 = $135

2. Add the 15% increase to the 1975-76 Revenue Limit.

   $900 + $135 = $1,035

3. Compare the new figure to the 1976-77 Foundation Amount.

4. If it is the same as or below the Foundation Amount, this is the Revenue Limit set for 1976-77. However, if it is above the 1976-77 Foundation Amount, as in our example, the new Revenue Limit must be reduced to the Foundation Amount. Therefore, District B's Revenue Limit for 1976-77 is $1,012. For 1977-78 District B, like District A, will have a Revenue Limit and a Foundation Amount that are the same.

District C has a Revenue Limit of $1,212 for 1975-76 which is above the $909 Foundation Amount. To determine District C's Revenue Limit for 1976-77 the following three steps are necessary:

1. Divide the 1975-76 Foundation Amount by the 1975-76 Revenue Limit. The value obtained is called a "squeeze factor."

   $909/$1,212 = .75

2. Determine the dollar increase in the Foundation Amount by subtracting the 1975-76 amount from the 1976-77 amount.

   $1,012 - $909 = $103

3. Determine the increase in the Revenue Limit by multiplying the Foundation Amount increase by the "squeeze factor."

   $103 x .75 = $77.25

4. Determine the new Revenue Limit by adding the increase to the 1975-76 limit.

   $1,212 + $77.25 = $1,289.25

It is important to understand how the Revenue Limit interacts with the Foundation Amount. Remember, the Foundation Amount and the District Contribution are mechanisms for determining the amount of State Aid to a district. The Foundation Amount does not determine what the local district actually raises; it determines the amount of State Aid. Some districts may raise more than the Foundation Amount, others may raise the same as the Foundation Amount, while still others may raise less than the Foundation Amount. The actual amount of revenue that is raised through the property tax is governed by the Revenue Limit.

Exercises for Revenue Limit

37. If an elementary school district has a Revenue Limit of $1,089 per ADA in 1977-78 and the foundation level is $1,089, its Revenue Limit in 1978-79 is:

    a. The dollar increase in the amount of the Foundation Program

    b. At the same level of the 1978-79 Foundation Program

    c. Not changed

    d. Decreased by the dollar amount of change in the Foundation Program

38. In 1976-77 a school district has a Revenue Limit at the foundation level. The Foundation Program increases by $200 for 1977-78. How much does the school district's Revenue Limit increase?

    a. Not enough information

    b. By 15 percent or less of the prior year Revenue Limit

    c. $200

    d. $30

39. The 1975-76 Foundation Program for an elementary school district is $909. A district has a Revenue Limit of $700. Recalling that the 1976-77 Foundation Program is $1,012, what is the increase in the Revenue Limit for 1976-77?

    a. Not enough information

    b. $103

    c. $105

    d. $312

    e. $116.39

40. The 1975-76 Foundation Program for an elementary school district is $909. A district has a Revenue Limit of $1,009. Recalling that the 1976-77 Foundation Program is $1,012, what is the increase in the Revenue Limit for 1976-77?

    a. Not enough information

    b. $103

    c. $312

    d. $92.70

41. In 1975-76 an elementary district had a Revenue Limit of $2020. The 1975-76 Foundation Amount is $909 and the 1976-77 Foundation Program is $1,012. What is its 1976-77 Revenue Limit?

    a. $2,000

    b. $1,012

    c. $3,012

    d. $46.35

    e. $2,066.35

42. The 1975-76 high school Foundation Amount was $1,094. The 1976-77 Foundation Amount is $1,198. A high school district had a 1975-76 Revenue Limit of $800. What is its 1976-77 Revenue Limit?

    a. $1,198

    b. $920

    c. $964.10

    d. $1,094

43. Another high school district had a 1975-76 Revenue Limit of $1000. What is its 1976-77 Revenue Limit?

    a. $1,198

    b. $1,150

    c. $1,202.96

    d. $1,300.96

44. A high school district has a Revenue Limit of $1,198 for 1976-77. The 1977-78 high school Foundation Amount is $1,274. What is this district's 1977-78 Revenue Limit?

    a. $1,198

    b. $1,274

    c. $1,377.70

    d. $1,094.30

Adjustments to Revenue Limits

There are three major adjustments to the Revenue Limit of a district: an adjustment to account for declining ADA; an adjustment for the district contribution to the State Teacher Retirement System (STRS); and an adjustment through a vote of the district residents. The adjustment for declining enrollment allows districts with at least a one percent loss in ADA to only count part of the student loss in computing the Revenue Limit per ADA. The adjustment for the district contribution to STRS basically allows districts to include the mandated increase in the district contribution to STRS in their Revenue Limits. The adjustments for declining ADA and STRS are calculated annually and must be recalculated each year. (For a more detailed discussion of these two adjustments, see Appendix D).

Revenue Limits apply to the amount of general purpose revenue a district is permitted to raise without a vote of the district residents. The third adjustment permits a district to add extra revenue per ADA to its Revenue Limit through voted overrides. These overrides may be for any amount and for any period of time. When the state calculates the increase in the Revenue Limit for each year it does not take into account any district overrides. For instance, if District A in Table XI had voted on two year override in 1975-76 of $100 per pupil, this amount would not be considered in computing its 1976-77 Revenue Limit. Its new Revenue Limit would still be $1,012. The $100 override would be added to this amount.

Recapture

There is a special provision, called recapture, that applies to school districts whose revenue levels are at least 150 percent of the Foundation Amount and who vote to increase their Revenue Limit. To see how recapture

works, assume our above average elementary district with a valuation of $30,000 per pupil votes to increase its revenue limit by $200. The following calculations are made:

1. The statewide elementary average assessed valuation per pupil is determined. (In our example that statewide average is $20,000).

2. That average is used to calculate the tax rate necessary to raise the $200 override.

   $200/$20,000 = .01 or $1.00 per $100

3. Our district that has voted the $200 override must levy the tax rate determined in step 2.

   $30,000 x .01 = $300

4. The voted override ($200) is subtracted from the amount raised in step 3.

   $300 - $200 = $100

5. The remaining $100 per pupil is given back to the State Fund for the Equalization of Taxes.

6. Should the district raise less than its voted Revenue Limit increase by levying the tax rate calculated in step 2, the state makes up the shortage by transferring money to the district from the State Fund for the Equalization of Taxes.

Exercises for Recapture

A high school district has a Revenue Limit that is 150 percent of the Foundation Program. The district residents vote to increase the Revenue Limit by $300. Assume the average assessed value of high school districts is $30,000 and our district has a property tax base of $60,000 per pupil. Answer the following questions?

45. What is the tax rate this district will levy?

    a. .01

    b. .005

    c. .001

    d. .01

46. How much per ADA will the district raise?

    a. $600

    b. $300

    c. $100

    d. $ 60

47. How much per pupil will the district provide to the State Fund for the Equalization of Taxes?

    a. None

    b. $300

    c. $600

    d. $100

48. Assume this same district has a per pupil property value of $10,000 rather than $60,000 which of the following is now true?

    a. The district will provide the State Fund for the Equalization of Taxes with $500 per pupil.

    b. The district will receive $200 per pupil from the State Fund.

    c. The district raises its Revenue Limit increase by levying a tax rate of .03.

    d. The district levies a tax rate of .005.

Summary

In this chapter we have provided an introduction to the basics of California's Foundation Program. The important features of that plan can be summarized as follows:

There is a Foundation Amount that the state uses as the basis for the apportionment of State Aid for general purposes.

The state also uses a standard tax rate called the Computational Tax Rate to determine a District Contribution. The District Contribution is therefore a calculated contribution that is part of the state aid formula.

All districts receive State Aid in the amount of $125 per ADA called Basic Aid. Equalization Aid is the amount of State Aid in excess of the District Contribution and basic aid that is necessary to bring a school district up to the Foundation Amount.

Districts in areas that voted against a unification plan must levy a tax rate called an Areawide Tax Rate. The revenue raised from this tax is distributed among the districts in the area in proportion to their share of the Areawide Foundation Amount, called Areawide Aid. Areawide Aid to a district and a reduced Computational Tax Rate for districts in areas are components of the formula for determining state aid to districts in areas.

California's Foundation Program includes Revenue Limits on school districts that affect the actual tax rates levied by school districts. The way in which a district's Revenue Limit is allowed to increase depends upon its juxtaposition to the foundation amount. There are special provisions by which a district can raise its Revenue Limit.

APPENDICES

APPENDIX A

DEFINITIONS OF ELEMENTARY AND HIGH SCHOOL ATTENDANCE

There are two definitions of attendance: average daily membership (ADM) and average daily attendance (ADA). In order to calculate either type of attendance requires that you know that the regular school year is 175 days for regular pupils in both elementary and secondary school.

Average daily membership (ADM) is the average number of students enrolled in a school district during the regular school year of 175 days. It is the sum of regular school day enrollments (including unexcused absences) during the regular school year, divided by the number of days in the regular school year, or 175.

Average daily attendance (ADA) is the average number of students actually attending classes for the required minimum school day during the regular school year of 175 days. It is the sum of regular school day attendance (including excused absences) during the regular school year, divided by the number of days in the regular school year, or 175. No regular pupil in an elementary or secondary school can count as more than one ADA. A student having attended classes (or having excused absences) for the minimal school day during the regular school year counts as one ADA. A pupil in kindergarten must attend school for at least 180 minutes (or have an excused absence) each of the 175 school days to be counted as one ADA. A pupil in grades 1-3 must attend at least 200 minutes of classes (or have a valid excuse) during the 175 day school year to qualify as one ADA, and a pupil in grades 4-12 must be in attendance (or excused) for at least 240 minutes of each of 175 regular school days.

A school district's ADA is then the sum of each pupil's average daily attendance record. A school district with 1,000 pupils with a perfect attendance record has 1,000 ADA's. However, usually a student will have less than a perfect record. For example, if a student attended only 161 of the 175 regular school days, that pupil would count as 161/175 or .92 ADA. A student that had an unexcused absence for only one of the 175 regular days would count as (175-1)/175 or (174/175) or .9943 ADA. A student who missed half a regular school day on two separate occasions would count as ((175 - (2 x 1/2))/175) or (174/175) and again .9943 ADA.

APPENDIX B

FOUNDATION AMOUNT INCREASES

California law provides for automatic increases in the foundation amount per pupil. Table 1 displays the per pupil foundation program amounts for elementary and secondary school districts. The $20 unification bonus is added to these amounts to obtain the foundation program amounts for the elementary and secondary school components of a unified district. The 1977-78 foundation program amounts are to increase by the percentage change in the Index of Government Purchases of Goods and Services, but not less than six percent or more than eight percent. The 1977-78 amounts below assume a seven percent increase in the Government Purchases Index.

TABLE 1

FOUNDATION PROGRAM AMOUNTS 1976 - 1981

	1976-77	1977-78	1978-79	1979-80	1980-81
Grades k-8	$1,012	$1,089	$1,158	$1,233	$1,313
Grades 9-12	1,198	1,274	1,343	1,418	1,498

Note: Add $20 to each amount for the elementary and secondary school components of a unified district.

After 1977-78, the foundation program amounts are to be increased by six percent annually. To determine the increase, the following steps are necessary:

1. Determine the total foundation amount for all elementary programs in unified districts with more than 900 elementary ADA. That is,

multiply the elementary foundation amount per pupil for a unified district by the number of elementary ADA in unified districts with more than 900 elementary ADA.

2. Determine the total foundation amount for all high school programs in unified districts with more than 300 high school ADA.
3. Add the amounts obtained by Steps 1 and 2.
4. Add the elementary ADA in unified districts with more than 900 ADA to the high school ADA in unified districts with more than 300 high school ADA.
5. Divide the total foundation amounts for elementary and high school (Step 3) by the total ADA in Step 4.
6. To determine the increase for 1977-78, obtain the percentage change in the Index of Government Purchases for the prior year by dividing the index for the prior year by the index for the two years prior.
7. Multiply the amount obtained in Step 5 by the change in the Government Purchases Index. However, the change in the index cannot be less than six percent or greater than eight percent.
8. For fiscal years after 1977-78, multiply the amount in Step 5 by six percent.

APPENDIX C

STATE AID FOR TEACHERS RETIREMENT

In California, teacher retirement is funded through a partnership of the teacher, the state and the school district. Local districts are required to contribute a share of teachers salaries to the State Teachers Retirement System (STRS). The local share of teachers salaries is 6.4 percent for 1976-77, 7.2 percent for 1977-78 and a maximum of 8.0 percent in 1978-79.

State aid to school districts for STRS is provided in two ways. First, equalization aid is provided through a foundation program which parallels the general purpose foundation program. Second, additional state support is based on the computed tax rate that would be necessary to raise the district share for STRS.

Foundation Program for STRS

The calculation of state aid to the State Teachers Retirement System is a variation on the regular foundation program formula. To determine state aid for retirement under this program two calculations are necessary. First, state aid is calculated with an STRS increment in the foundation program amount and the computational tax rate. Then, state aid is calculated under the regular foundation program. Areawide aid is not included in these calculations. State aid for STRS is the difference between state aid with the STRS increment and state aid under the regular formula.

Table I shows the increments in the foundation program amount and computational tax rate used in the calculation of STRS aid. As the table shows, the STRS foundation program amounts used for elementary, secondary, and unified

districts represent increases over the foundation program amount for general state aid of $32 in 1976-77, $36 in 1977-78, and $40 thereafter.

TABLE I

VALUES USED IN CALCULATING STATE AID FOR STRS

Year	Increase in Foundation Program	Computational Tax Rate	
		Elementary	Secondary
1976-77	$ 32	$2.31	$1.68
1977-78	36	2.32	1.685
1978-79	40	2.33	1.69
1979-80	40	2.33	1.69

Table II shows the calculation of state aid to STRS for an elementary school district of 1,000 ADA and a property tax base of $10,000 per ADA. The elementary school foundation program amount during 1976-77 is $1,012 per ADA. The foundation program increase for the STRS calculation is $32 for a foundation program of ($1,012 + $32) or $1,044 per ADA.

TABLE II

STATE AID PER PUPIL TO STRS

	Property Valuation	Foundation Amount	Computational Tax Rate	District Contribution	State Aid
Calculation I (STRS Increments)	$10,000	$1,044	$ 02.31	$231	$813
Calculation II (Regular Program)	10,000	1,012	.0223	223	789
State Aid to STRS (I - II)					24

State aid under the first calculation is $1,044 minus $231 or $813 per pupil. Under the second calculation state aid is $789. Thus aid to STRS is ($813 - $789) or $24 per pupil.

Additional Aid for STRS

The most recent school finance legislation provided additional state support for teachers retirement. This support is based on the tax effort that would be necessary to raise the local contribution. For instance, assume an elementary district has a local contribution of $24 per pupil. To determine if this district is eligible for additional support, the following steps are necessary:

1. Compute the tax rate that would be necessary to raise the net local contribution in the district. In our district the necessary tax rate is .0024 or $24 per $100.

$$\frac{24}{10,000} = .0024$$

2. If the computed tax is less than 10¢ the district does not receive additional aid. The tax rate in our district is greater than this amount so it receives aid.

3. If the tax rate is greater than 10¢ but less than 16¢ the district receives 100% of the amount it would raise at a tax above 10¢; that is, it levies a tax of 10¢ and the state provides the additional revenues. If the district's tax rate is greater than 16¢ it still receives 100% of the revenue that it would raise from a tax rate between 10¢ and 16¢. Our sample district raises $10 or ($10,000 x .0010) from a 10¢ tax and $16 ($10,000 x .0016) from a 16¢ tax. The state provides the additional $6 per pupil.

4. If the district tax rate is greater than 16¢ but less than 24¢, the state provides 50% of the excess. Our sample district has a computed tax of 24¢. Thus it receives 50% of the amount it raises from 16¢ to 24¢. It raises $16 at a 16¢ tax rate and $24 at a 24¢ tax rate. It raises ($24 - $16) or $8 between these two tax rates and the state provides 50% or $4 per pupil.

5. Our sample district receives $6 per pupil in step 2 and $4 per pupil in step 3 for a total of $10 per pupil. It provides the remaining $14 per pupil from local revenue sources.

6. If the district tax rate were above 24¢ the state will pay 60% of the excess.

TableIII gives the tax rates and the state share for each type of California districts.

TABLE III

TAX RATES AND STATE SHARE FOR STRS

District Type	Tax Rate		State Share
	Greater Than	Less Than	
Elementary	0	10¢	0
	10¢	16¢	100%
	16¢	24¢	50%
	24¢	--	60%
High School	0	5¢	0
	5¢	8¢	100%
	8¢	12¢	50%
	12¢	--	60%
Unified	0	15¢	0
	15¢	24¢	100%
	24¢	36¢	50%
	24¢	--	60%

APPENDIX D

ADJUSTMENTS TO REVENUE LIMIT

STRS Adjustment

Under the STRS adjustment, the revenue limit for a district can be increased up to the amount of the increase in the local expense for STRS. The adjustment for STRS applies only for the current year and must be re-calculated for each succeeding year. The maximum increase is determined as follows:

1. Determine the local contribution for the present year and subtract state aid.
2. Determine the local contribution for the prior year and subtract state aid.
3. Determine the allowed increase in the revenue limit by subtracting the prior year expense from the present year expense (Step 1 - Step 2).

We have just determined the maximum increase in the revenue limit. However, there is a limit on this adjustment. The limit is determined as follows:

1. Determine the amount that would be raised by a computational tax rate of $.15 per $100 or .0015 in a unified district, $.10 per $100 in an elementary district, and $.05 per $100 in a high school district. For example, if the valuation is $10,000 per pupil in a unified district, the amount would be $10,000 x .0015 or $15 per pupil.
2. Compare the amount obtained in Step 1 to the maximum increase.
3. If the amount obtained in Step 1 is less than the maximum increase, the revenue limit can only be increased by the lower amount.

Declining ADA

If the percentage change in regular ADA represents a decline of greater than one percent over the previous year, the following adjustment is made to the calculation of the district revenue limit:

1. Obtain the difference in regular ADA between the current and prior year when it represents a reduction of greater than one percent ADA.
2. Divide this difference in ADA by 1.33.
3. Add the resulting value from Step 2 to the current year ADA.
4. Calculate the district revenue limit according to the procedure in the section on revenue limits, using the adjusted ADA figure from Step 3.

Hypothetical Example: An elementary school district has experienced a ten percent reduction in the number of its ADA. During 1975-76 it had 1,000 ADA. For 1976-77 it has 900 ADA.

1. In this elementary school district the difference between the prior and current year's regular ADA count is (1,000 - 900) or 100 ADA.
2. This difference divided by 1.33 is equal to (100/1.33) or approximately 75.20 ADA.
3. Add the value resulting from Step 2 to the current year ADA figure of 900 ADA's. The adjusted ADA figure for this elementary school district is then (900 + 75.20) or 975.20 ADA.
4. Now calculate the district's revenue limit using the adjusted ADA figure and the procedure outlined on pages 56-58.

APPENDIX E

ADULT FOUNDATION PROGRAM

Recent legislation (Senate Bill 1641) established a separate foundation program for adults. This program operates in the same manner as the regular foundation program but the foundation amount is different. The adult per pupil foundation amount is $862. Thus,

State Aid Per Pupil to Adults = $862 - District Contribution

The computational tax rate used to determine the district contribution for adults is $1.00 per $100 modified assessed value or .01. The per pupil valuation to determine the district contribution is the total property value divided by the number of high school plus the number of adult ADA. State aid for adults in a district with a property value of $10,000,000 and 500 adult and 500 high school ADA is determined as follows:

1. Determine the per pupil property value by dividing the total property value by the high school and adult ADA.
   $10,000,000/1,000 = $10,000
2. Determine the per pupil district contribution by multiplying the per pupil property value ($10,000) by the computational tax rate for adults (.01).
   $10,000 x .01 = $100
3. Determine state aid by subtracting the district contribution ($100) from the adult foundation amount ($862).
   $862 - $100 = $762

Total state aid for adults is the per pupil state aid for adults multiplied by the total number of adult ADA in the district. In this instance, it is (500 x $762)

or $381,000. There is also established a separate revenue limit for adults. The revenue limit is based on the actual expenditure for adult classes in 1975-76.

ANSWER KEY

1. d
2. b
3. b
4. b
5. b
6. b
7. b
8. a
9. c
10. a
11. b
12. a
13. b
14. b
15. a
16. b
17. b
18. c
19. c
20. b
21. c
22. d
23. b
24. d
25. a
26. c
27. b
28. a
29. c
30. d
31. b
32. b
33. a
34. c
35. c
36. b
37. b
38. c
39. c
40. d
41. e
42. b
43. b
44. b
45. a
46. a
47. b
48. b